



DEPARTMENT OF THE NAVY  
NAVAL AIR SYSTEMS COMMAND  
NAVAL AIR SYSTEMS COMMAND HEADQUARTERS  
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ARLINGTON VA 22243

IN REPLY REFER TO  
NAVAIRINST 7044.2G  
AIR-08P1

10 MAR 1994

NAVAIR INSTRUCTION 7044.2G

From: Commander, Naval Air Systems Command

Subj: SCOPE OF THE RESEARCH, DEVELOPMENT, TEST AND EVALUATION,  
NAVY (RDT&E,N) APPROPRIATION

Encl: (1) Extract from Volume 7 of the NAVCOMPT Manual-  
Chapter 4, Part E: Research, Development, Test and  
Evaluation, Navy  
(2) Extract from Volume 7 of the NAVCOMPT Manual-  
Chapter 5, Part D: Research, Development, Test and  
Evaluation, Navy (RDT&E,N) Funding Policy

1. Purpose. To provide guidelines for use in planning,  
programming, budgeting, and determining program scope within the  
research, development test and evaluation, Navy (RDT&E,N)  
appropriation.

2. Cancellation. This instruction supersedes NAVAIR Instruction  
7044.2F of 14 May 1987. (R)

3. Instruction. Distribution of Volume 7 of the Navy  
Comptroller (NAVCOMPT) Manual within the Naval Air Systems  
Command Headquarters is limited. Enclosures (1) and (2) are  
extracts from the NAVCOMPT Manual covering the scope of the  
RDT&E,N appropriation and the relationships to other  
appropriations. Enclosures (1) and (2) are current through the  
22 July 1993 revision of Volume 7 of the NAVCOMPT Manual which  
was issued in its entirety and also incorporated Change 63. (R)

  
W. HARDMAN  
Deputy Comptroller



NAVAIR INSTRUCTION 7044.2G

10 Mar 94

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the Office of Management and Budget (OMB). Based on C,DoD/OMB analysis and prospective congressional appropriations action, funds are either released for execution or placed in a deferred status.

2. **ALLOCATION.** The Comptroller allocates funds to CMC who is designated as the responsible office for PMC. *FDMC suballocates funds to COM-MARCORSYSCOM for execution. After initial suballocation, minor reprogramming changes are controlled by COMMARCORSYSCOM with concurrence in proposed changes by FDMC.*

3. **EXECUTION**

a. **General.** PMC is controlled on a program-year and line-item basis. A program-year consists of all programs budgeted and approved for funding in a specific budget year. Each procurement action is charged to the program-year under which it was budgeted. Subsequently, within scope of program, cost changes are funded from the program-year account under which the basic transaction occurred. Under the program-year concept, new procurement programs should be obligated during the first year of availability to the extent possible.

b. **Analysis of Unliquidated Obligations.** Each funds administering office will conduct a continuous program of analyzing and validating unliquidated obligations, continuing those which are essential, and expeditiously terminating those which are unessential. At the beginning of the fourth year of each subhead, and continuing until the account is closed and outstanding obligations are canceled 5 years later, the office administering the subhead will commence an intensive analysis of the outstanding balances contained therein. The scope of the intensive, continuing analysis required to be conducted by the administering offices will include unliquidated obligations for each individual contract, project order, or allotment in existence on 30 September of the year in which availability ends.

(Change 63)

## PART E: RESEARCH, DEVELOPMENT, TEST AND EVALUATION, NAVY

**074400**

### **SCOPE**

1. **APPROPRIATION LANGUAGE.** The Department of Defense Appropriations Act provides language for the appropriation Research, Development, Test and Evaluation, Navy (RDT&E,N), as follows:

Encl (1)

"For expenses necessary for basic and applied scientific research, development, test, and evaluation, including maintenance, rehabilitation, lease, and operation of facilities and equipment, as authorized by law; \$\_\_\_\_, ...to remain available for obligation until September 30, 19\_\_\_\_; provided, ..."

## 2. LIMITATIONS

a. Authorizing Legislation. The program to be financed by the RDT&E,N appropriation must first be approved through authorizing legislation (see par. 072223).

b. Time Limitations. The budget request submitted to the Congress in each fiscal year under the RDT&E,N appropriation is for a multiple-year appropriation to remain available for obligation for 2 fiscal years. Each fiscal year appropriation enacted is separate and discrete. Following the period of availability for incurring new obligations, the account remains available for use for 5 years for effecting authorized obligations adjustments and payments. At the end of the 5-year period, the account is closed and any remaining outstanding obligations are canceled. Thereafter, bills presented for payment must be paid from the currently available appropriations for the purpose, subject to limitations stated in the current issue of NAVCOMPTINST 7040.37.

(Change 61)

**074401**

## STRUCTURE AND CONTENT

1. **GENERAL**. The Research, Development, Test and Evaluation, Navy appropriation is divided into six budget activities. Each budget activity is further divided into program elements for which funds have been budgeted.

2. **BUDGET ACTIVITY 1, TECHNOLOGY BASE**. This activity finances basic research and exploratory development with the primary objective of increasing the store of fundamental scientific knowledge adaptable to the solution of widely varying future requirements.

3. **BUDGET ACTIVITY 2, ADVANCED TECHNOLOGY DEVELOPMENT**. This activity finances exploration of alternatives and concepts prior to development of specific weapons systems. New technological developments are pursued which are not formally identified to specific operational requirements. This effort includes feasibility demonstrations of innovative new concepts and emphasizes hardware competition and pursuit of alternate solutions to potential military problems.

4. **BUDGET ACTIVITY 3, STRATEGIC PROGRAMS**. This activity finances all research and development efforts on strategic offensive, defensive, and control systems.

Encl (1)

5. BUDGET ACTIVITY 4, TACTICAL PROGRAMS. This activity finances advances engineering and operational systems development efforts on all aspects related to all conflict levels of tactical warfare.

6. BUDGET ACTIVITY 5, INTELLIGENCE AND COMMUNICATIONS. This activity finances advanced, engineering, and operational systems development efforts in intelligence and worldwide communications.

7. BUDGET ACTIVITY 6, DEFENSE-WIDE MISSION SUPPORT. This activity finances efforts directed toward support of installations or operations required for use in general research and development and not allocable to specific missions. Included are technical integration efforts, technical information activities, major test ranges, test facilities, and general test instrumentation, target development, support of user test, international cooperative R&D, and other R&D support.

(Change 45)

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**074402**

## **BUDGET ACTIVITY SUBHEADS**

The first subdivision under the appropriation is the budget activity which is further divided by the administering office. The subhead is applied at this level of program and organization responsibility. The Research, Development, Test and Evaluation, Navy appropriation four-digit subhead numbering system identifies the data elements:

First digit - Management Command Code

Second Digit - Budget Activity

Third and Fourth digits - Navy Program Element Code

(Change 45)

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**074403**

## **ADMINISTRATION**

1. RESPONSIBILITIES. The Assistant Secretary of the Navy (Research, Development and Acquisition) (ASN(RD&A)) is assigned responsibility for all matters relating to Research, Development, Test and Evaluation (RDT&E) efforts within the Department of the Navy including management of the Research, Development, Test and Evaluation, Navy (RDT&E,N) appropriation. To assist ASN(RD&A) in the overall management and control of the RDT&E,N appropriation, the Chief of Naval Research provides the supporting staff services for coordination and consolidation of budgeting, accounting, and related reporting operations at the appropriation level. Accordingly, the designation of "responsible office" as shown in par. 022200-3a, is "AST-SECNAVRESDEV (ONR)" and refers to the Office of Naval Research when it is acting in this supporting staff capacity. The term "administering office" refers to those components of the Department of the Navy so designated in par. 022201-9.

Encl (1)

2. **APPORTIONMENT.** The appropriation Research, Development, Test and Evaluation, Navy (RDT&E,N) is subject to the annual apportionment process described in par. 073100. Within the guidance provided by ASN (RD&A), Chief of Naval Research (CNR), and Chief of Naval Operations (CNO), the RDT&E,N apportionment requests are developed by the administering organizations. The requests are reviewed and consolidated by the Director, Office of RDT&E and ONR prior to presentation to ASN (RD&A) and the CNO Executive Board. Once reviewed, the request is submitted by ONR, via the Comptroller and the Office of the Secretary of Defense (C,DoD) to the Office of Management and Budget (OMB). Based on C,DoD/OMB analysis and prospective congressional appropriations action, funds are either released for execution or placed in a deferred status.

3. **ALLOCATION.** The allocation made by the Comptroller to ONR, who is designated as the responsible office for RDT&E,N is suballocated to the administering organizations in the amounts approved for obligation. Funds are suballocated by fiscal year, budget activity and program element. Internal control of reprogramming at the command and administering activity level is accomplished by requiring the review and approval of all allocation changes by the ONR Comptroller.

#### 4. EXECUTION

a. **Program-Year Concept.** The RDT&E,N appropriation is controlled at the administering organization level on a program-year and RDT&E program element basis. A program year consists of all programs budgeted and approved for funding in a specific budget year. The RDT&E program is budgeted on an annual incremental funding basis; i.e., those costs expected to be incurred during the budget year. Although RDT&E,N is a two-year appropriation to allow for obligations in the second year when delays are encountered because of significant technical difficulties or protracted negotiations, all second year obligations of RDT&E,N funds must be restricted to only those tasks within the scope of the approved budget year program. The incremental programming policy is discussed in detail in par. 075402.

b. **Analysis of Unliquidated Obligations.** Each funds administering office will conduct a continuous program of analyzing and validating unliquidated obligations. This review is essential to comply with the certification requirements of Section 1311 of the Supplemental Appropriations Act of 1955 (31 U.S. Code 200). At the beginning of the third year of each subhead, and continuing until the balances are transferred to the successor accounts, the office administering the subhead will commence an intensive analysis of the outstanding balances contained therein. The scope of the intensive, continuing analysis required to be conducted by the administering offices will include unliquidated obligations for each individual contract, project order, and other obligation documents in existence on 30 September of the year in which the account expires for obligation.

(Change 45)

Encl (1)

## PART D: RESEARCH, DEVELOPMENT, TEST AND EVALUATION (RDT&E) FUNDING POLICY

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**075400**

### **SCOPE**

This section contains budget and funding policy for the Research, Development, Test and Evaluation, Navy (RDT&E,N) appropriation which supports both Navy and Marine Corps programs. Categories of RDT&E work and the incremental programming policy are explained in detail. Several specific definitions of RDT&E work are provided and followed by an analysis of costs funded by RDT&E,N, RDT&E support costs funded by other appropriations, and cost determinations in special situations.

(Change 48)

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**075401**

### **CATEGORIES OF RDT&E WORK**

1. GENERAL. While the primary divisions of the RDT&E program for the purposes of budget presentation are the budget activities, program reviews within the Department of Defense are accomplished in terms of RDT&E categories. These categories classify RDT&E effort within each budget activity in accordance with the degree of its approach to operational use.
2. RESEARCH. Category I, Defense Research, includes scientific study and experimentation directed toward increasing knowledge and understanding in those fields of the physical, engineering, environmental, biological-medical and the behavioral-social sciences directly related to explicitly stated long-term national security needs. It provides fundamental knowledge for the solution of identified military problems. It also provides part of the base for subsequent exploratory and advanced development in defense-related technologies and of new or improved military functional capabilities in areas such as communications, detection, tracking, surveillance, propulsion, mobility guidance and control, navigation, energy conversion, materials and structures, and personnel support.
3. EXPLORATORY DEVELOPMENT. Category II includes all effort directed toward the solution of specific military problems, short of major development projects. This type of effort may vary from fairly fundamental applied research to quite sophisticated breadboard hardware, study programming, and planning effort. It would, thus, include studies, investigations, and minor development effort. The dominant characteristic of this category of effort is that it be pointed toward specific military problem areas with a view toward developing and evaluating the feasibility and practicability of proposed solutions and determining their parameters. Normally, program con-

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Example 9.....	X		Exception: SECNAV approval is required if this pattern is used in budget formation, where the increments are not coincidental with the fiscal year. Difficulties in execution may require this pattern.
Example 10.....	X		Award made in second year of availability; funding pattern as shown in example 6 restored by end of next succeeding FY. Budget cannot be based on this type of funding plan.
Research Contracts-Educational Institutions		36 mos.	
Example 11.....	X		Maximum duration of initial increment is 36 months from date of award.
Example 12.....	X		Maximum duration of any increment after the initial increment is 12 months from date of renewal.
Government Installation			
Example 13.....	X		Institutional funding.
Example 14.....	X		Reimbursable orders; planned increment may extend up to 3 months into the following FY.
Example 15.....	X		Reimbursable order issued in second year of availability; second increment funded in second year of availability, maximum duration is 6 months of the following FY. Budget cannot be based on this type of funding plan.

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ments related to inventory items and for new items, the building of production prototypes in sufficient quantity for the above test and demonstration utilizing all processes, tooling, and test equipment considered necessary for the production process thereby constituting a demonstration and qualification of the process.

(Change 56)

**075402**

## **INCREMENTAL FUNDING POLICY**

1. **POLICY.** The Department of the Navy policy is to program RDT&E effort on an annual incremental funding basis as opposed to the fully funded basis on which procurement programs are developed. The objective of this policy is that the Department of the Navy's RDT&E,N effort shall be funded in increments coincident with the Government fiscal year, except as provided below, and that budget estimates shall be formulated accordingly. The Incremental Programming Policy (IPP) is a budgeting technique which generally should be followed throughout the programming and budget formulation cycle and during execution. However, this policy is specifically intended to be flexible in order to accommodate the execution of highly complex programs funded by the RDT&E,N appropriation which is legally available for obligation for 2 fiscal years. It is recognized that late appropriations, fund deferrals, technical difficulties, and other reasons may make obligation of funds by the end of the first 12 months increment (i.e., 30 September of the budget year) impractical. Therefore, exceptions to IPP are discussed below. IPP is a Departmental budgeting policy, therefore failure to follow the policy prescribed in this paragraph is an administrative infraction only, and is not a violation of 31 U.S. Code 1301(a), if the funds are obligated within the 2-year availability of the appropriation and are otherwise appropriate as to purpose.

### **2. GUIDANCE FOR BUDGET FORMULATION**

a. **General.** The budget year estimates of the financing needed (amounts to be programmed) for individual RDT&E projects, to be performed by agencies of the Government or by contractors, will be formulated to cover all costs expected to be incurred during the 12-month period, except for specific exclusions, provided that the costs are incurred only to further the project toward its objective during that increment of the total project schedule. The term "cost" includes not only the estimate of actual costs to be incurred during the prescribed incremental time period, such as salaries and wages to be paid for work to be performed and material to be consumed, but also includes all other liabilities which will accrue to the Government and which have to be created during the time period in furtherance of the project, such as subcontracts to be awarded and lead time orders to be placed for project-related material and equipment which cannot be incremented. However, for a major weapon system, with a development program in excess of \$200 million, which is being developed under a multiyear prime contract, first tier subcontracts costs which may be included in an increment are those for a 12-month period extending not more than 12 months beyond the end of the fiscal year of the prime contract increment, if the subcontract is a

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of such projects will be limited to not more than 12 months from date of renewal (Example 12 on chart).

e. Government-Owned RDT&E Installations. The budget estimates covering the cost of operation and maintenance of Government-owned research, development, test and evaluation installations which are funded on an institutional basis under operating budgets (block funded) will provide for financing of such installations on an annual basis coincident with the fiscal year of appropriation (Example 13 on chart). In the case of multiyear tasks and projects to be awarded to Government installations by reimbursable work order, the budget estimate for the initial and each subsequent increment will provide financing to cover the cost of installation labor, material and support to carry on the task or project for no more than a 12-month period. This period may not extend beyond the first 3 months of the year succeeding the budget year (Example 14 on chart). Contracts administered by a Government research, development, test and evaluation installation which are not in direct support of in-house effort shall be budgeted in accordance with subpars. b and c. Service and other contracts directly supporting in-house effort shall be budgeted in the same incremental manner as in-house effort except where incrementing is not feasible.

f. Federal Contract Research Center. Budget estimates shall provide funding for a 12-month increment coincident with the Government fiscal year.

3. GUIDANCE FOR BUDGET EXECUTION. Although the RDT&E,N appropriation is legally available for obligation for 2 fiscal years, the objective is to use these funds during the initial year of availability. If the budget could be executed precisely in accordance with the formulation plan, all funds would be obligated by the end of the first fiscal year and the major portion would have been disbursed. When because of late appropriations, fund deferrals, significant technical difficulties, protracted negotiations, and other reasons at either the headquarters RDT&E funds administering office or the performing activity, it may not be possible to execute a project as programmed and budgeted, the 2-year availability of the RDT&E appropriation for obligation provides for flexibility. If the award of a planned new contract, or the issuance of a reimbursable order, is not possible until the second year of availability, the preferred action is to restructure the funding plan to utilize the original funding in the first year of availability for urgent deficiencies elsewhere in the program and to use the following year appropriation to fund new contracts or orders. However, if adequate funds in the succeeding year's budget make it mandatory that funds be used in the second year of availability they may be used to fund new short term contracts for increments up to 18 months (Example 5 on chart), the first increment of a new multiyear contract or reimbursable order or extensions of existing contracts, orders and operating budgets which will not extend beyond the second year of availability of the appropriation. Funds for multiyear contracts or orders appropriated in the second year may be used to fund the second increment of the contract or order provided conformance with the incremental programming policy is attained by the end of the succeeding year (Examples 10 and 15 on chart).

**Follow-on Operational Test and Evaluation (FOT&E)** - The latter phase, or phases, of the overall OT&E, conducted after commitment of a system to production to ensure that production items meet operational effectiveness and suitability thresholds, and to meet readiness and performance goals.

**Prototype** - An item representative of the intended production configuration which is utilized in IOT&E.

**Product Improvement** - All efforts of a research, development, design, or engineering nature which have the objective of improving major end items of components of major end items.

**Aircraft Engine Component Improvement Program (CIP)** - While logically included within Product Improvement, this is a specialized term which applies only to RDT&E,N-financed improvement of aircraft engines.

**Government Acceptance of the First Procurement Funded Aircraft** - One of the two minimum requirements for initiation of CIP funding, referring to the date when the Government formally accepts delivery of the first aircraft funded under Procurement appropriations.

**R&D Installation/Activity** - Those installations or activities whose support and operating costs are financed predominantly with RDT&E funds.

**Special Support Costs** - Those acquisitions or hardware costs, other than those associated with the item which is the subject of the test, which are incurred in direct support of the test and evaluation effort, such as special range instrumentation costs.

**Command Support Costs** - The additive "people-related" costs of the command and operational units providing collateral support to the test and evaluation effort, such as per diem pay, travel allowances, overtime, etc.

**Preliminary Design Costs** - Those costs incurred in the early stages of shipbuilding programs to produce a design which, on a performance or requirements basis, approaches the Navy's goal.

**Contract Design Costs** - The phase of shipbuilding programs, following preliminary design, to produce a design, which carries the equipment specifications necessary to meet the Navy requirements.

**Detail Design Costs** - The final design effort on ships normally performed in conjunction with leadship construction.

**Approval for Production** - The major milestone in a development program which represents the formal approval of an item for production for the operational use by the Service forces. In some instances items are approved for production with qualifying restrictions or provisions pending correction of specific development deficiencies. In such instances the cost of funding the correction and test must be determined on a case-by-case basis. Typically, all post-production approval effort will be funded in the Procurement appropriations.

**Unique Joint Test and Evaluation (JT&E) Costs** - JT&E costs such as: feasibility determination of proposed joint tests; the provision for test design and planning support for joint tests selected; the development, procurement, installation, and operation of special instrumentation; transportation, travel, and per diem costs for the Test Director's staff;

e. Development Test and Evaluation (DT&E). Development and preproduction prototypes will be RDT&E,N financed and used for DT&E, including scientific, technical and weapons effects tests.

f. Initial Operational Test and Evaluation (IOT&E). Development and preproduction prototypes will be RDT&E,N financed and used for IOT&E. If it should be necessary to acquire a limited number of special pilot items from a pilot production line so as to provide the necessary representativeness, cost for establishing the initial pilot line and for these test items will be RDT&E,N funded. Retention of a pilot production line following a production decision is funded by Procurement appropriations.

g. Equipment or Instrumentation. The provision of equipment or instrumentation required for RDT&E effort includes its development, design, purchase, installation, and acceptance testing. Installation includes directly related foundations, shielding, environmental control, weather protection, structural adjustments, utilities and access. Included are land-based or sea-based combat system test installations required to conduct DT&E and IOT&E when necessary on the combat system of a new ship class. Installation costs are excluded from RDT&E,N financing if the effort is accomplished concurrently with a military construction project, and in these instances, the Military Construction appropriation finances the installation cost. To the extent that the installation cost exceeds \$200,000 and is a government activity, no new facility or physical outer dimension expansion to an existing facility shall result from an RDT&E,N funded installation project.

h. Contractor Operated Facilities. The support of contractor RDT&E effort at Government-owned and contractor-operated industrial facilities includes the costs of specialized equipment, instrumentation, and facilities projects under restrictive criteria governed by the current issuance of SECNAVINST 4862.8. Statutory authority contained in 10 U.S. Code 2353 provides for the use of RDT&E,N funds as follows:

1. a contract for research or development, or both, may provide for the acquisition or construction by, or furnishing to, the contractor, of research, developmental, or test facilities and equipment that the Department determines to be necessary for the performance of the contract. The facilities and equipment, and specialized housing for them may be acquired and constructed at Government expense and may be loaned or leased to the contractor with or without reimbursement, or may be sold to him at fair value. This section does not authorize new construction or improvements having general utility;
2. facilities that would not be readily movable or separable without unreasonable loss of value may not be installed or constructed under this section on property owned by the United States, unless the contract contains:
  - (a) a provision for reimbursing the Government for the fair value of the facilities at the completion or termination of the contract or within a reasonable period of time thereafter;

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a performance-basis or requirements-basis, approaches the Navy's goal;

2. contract design follows preliminary design and refers to the tasks that expand preliminary design and engineering to establish configurations for a bid package containing the contract plans and specifications necessary to meet the Navy requirements for the ship contract.

1. Prototype Training Devices. The development and initial acquisition of a training device are considered to be RDT&E program costs. The prototype training device, including its Government-furnished equipment and support, is funded by RDT&E,N until formal Government acceptance of the device. RDT&E,N will not fund beyond the initial system unless more than one system is required to demonstrate the training device performance. However, RDT&E,N finances the development cost of enhancing performance capability of devices already in inventory.

m. Manufacturing Technology. The Manufacturing Technology (MT) program, which demonstrates factory application of new or improved technology in producing defense items, will be RDT&E,N financed.

n. Development Efforts Related to Future Leased Services. When the ultimate product to be procured by the Government is a leased service, budgeted and funded in an Operation and Maintenance appropriation, and the provider of the service requires up-front funding in order to design or develop major changes or improvements to meet the Government's requirement, then the costs of such development efforts will be budgeted and funded in the RDT&E,N appropriation.

#### 4. RDT&E SUPPORT BY OTHER APPROPRIATIONS

a. Military Construction. The Military Construction, Navy appropriation provides for construction projects in excess of \$200,000 at Government-owned and Government-operated R&D activities.

b. Military Personnel. The Military Personnel appropriations finance the cost of military personnel assigned to support RDT&E projects.

c. Family Housing. Costs of construction, operation, and maintenance of family housing are financed by the Family Housing, Navy and Marine Corps appropriation.

d. General Use Vehicles at R&D Activities. Requirements at R&D activities for general use vehicles in the Navy inventory are financed by Other Procurement, Navy (OPN), Budget Activity 5, Civil Engineering Support Equipment, as a responsibility of the Naval Facilities Engineering Command. RDT&E,N, however, would appropriately finance the cost of a vehicle, trailer, or item of equipment required solely for a specific RDT&E purpose.

e. Departmental Headquarters Support. The cost of civilian personnel compensation (including benefits) and other expenses (administrative travel, office equipment and automatic data processing leasing and maintenance, supplies, printing and reproduction) incurred in support of RDT&E effort by

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funded by Procurement or Operation and Maintenance appropriations, as applicable.

d. Advance Production Engineering. Costs associated with advance production engineering and other efforts to establish and test the capability of production facilities to produce items approved for production are included in the initial acquisition cost for the end-item procurement quantity within the Procurement appropriations.

e. Management Studies and Analyses. Costs of evaluating organizational structure and distribution of functions, administrative operating policies, procedures, methods and systems (management studies) and applications of the management sciences to improve effectiveness in carrying out assigned functions are to be financed from the Operation and Maintenance appropriations. See par. 075404.

f. Product Improvement. Product Improvement of major end items and components thereof, within the current performance envelope, except for aircraft engine component improvement, is funded as follows:

1. engineering services and related effort by the producing contractor or manufacturing installation applied to an end item currently in production should be funded by Procurement appropriations. The phrase "an item currently in production", implies that the item has end item production funding in the year the product improvement effort is to take place;
2. engineering services and related effort by a manufacturing or operations type installation applied to an item no longer in production but still in the operational inventory should be financed by Operation and Maintenance appropriations.

g. Modification Kits. Fully developed and tested modification kits should be financed by Procurement appropriations. Associated installation costs of the modification kits into the operational inventory will be financed by the same appropriation that purchased the kits.

h. Shipbuilding Detail Design. Detail design such as development of working drawings, engineering blueprints, and technical data on which actual ship construction is based will be funded by the Shipbuilding and Conversion, Navy (SCN) appropriation for those ships appropriately funded by SCN.

## 6. SPECIAL SITUATIONS

a. General. Depending upon actual program circumstances, certain types of costs may be funded either by RDT&E,N or other appropriations. Therefore, each Program/Budget proposal made in accordance with these instructions will be subject to review and determination. Special situations in this category are discussed in the following subparagraphs.

b. Test Articles. Whenever an appropriate number of test articles for an item under development has been financed by RDT&E,N, and subsequently, additional test articles become necessary to complete the DT&E and/or IOT&E program, then articles from approved initial production financed by

f. Automatic Data Processing (ADP). See par. 075371 and 075372 for guidance concerning general and special purpose ADP.

g. Joint Test and Evaluation (JT&E)

- (1) General. JT&E refers to test and evaluation conducted jointly by two or more Department of Defense (DoD) components as directed by the Director of Defense Test and Evaluation (DDT&E) in the Office of the Secretary of Defense. JT&E is conducted to test and evaluate capabilities of developmental and deployed systems in a joint environment, to evaluate joint operations concepts, and to determine requirements and interoperability of systems and forces. Tests involving alternative concepts, organizations, tactics, or procedures are coordinated with DoD components and the Joint Chiefs of Staff. By definition, JT&E must be directed by DDT&E and does not encompass that joint testing initiated by and mutually agreed to by two or more DoD components for their own purposes.
- (2) Director of Test and Evaluation, Defense (DT&ED) Appropriation. The Department of the Navy (DON) is reimbursed from the DT&ED appropriation (Program Element 65804D) for any unique costs associated with JT&E in which the Navy or Marine Corps participates. The costs to be reimbursed are for the direction, supervision and performance of JT&E and are for those costs which are unique to the needs of JT&E.
- (3) Department of the Navy (DON) Appropriations. DON appropriations are responsible for those nonunique costs associated with JT&E in which the Navy or Marine Corps participates. Nonunique costs include: military expenses; transportation and per diem of participating personnel; hardware utilized for the test (other than special instrumentation and modifications); and operation, maintenance and supply costs. When designated by the Secretary of Defense as executive agent for a particular JT&E, the Navy or Marine Corps is responsible for ensuring that all resources necessary for accomplishment of the JT&E are available to the Joint Test Director (JTD). This includes administrative management support and facilities for the JTD which are also the responsibility of DON appropriations. The responsibility of specific appropriations for funding JT&E costs assigned to the DON parallels the test and evaluation funding guidance contained elsewhere in this paragraph.

h. Follow-on Operational Test and Execution (FOT&E). When a program is to be executed in a concurrent manner, i.e., commitment of the system to production prior to completion of RDT&E, FOT&E is properly chargeable to RDT&E,N until completion of the RDT&E program. This FOT&E generally encompasses evaluation during IOT&E, accomplishment of deferred or incomplete IOT&E, and verification of correction of deficiencies discovered during IOT&E. Typically, approval for full production is dependent upon this testing. See subpar. 5b for programs proceeding in the classical nonconcurrent manner.

7. USE OF DEPARTMENT OF THE NAVY RESEARCH FACILITIES BY ACADEMIC INVESTIGATORS

Encl (2)